Briefing Paper

"SCOTLAND'S EXPORT PERFORMANCE - A CLOSER LOOK"

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Perhaps the most interesting finding of the Scottish Council's surveys of Scottish manufactured exports in recent years has been the fact that Scotland consistently and significantly outperforms the rest of the United Kingdom in terms of exports per employee. This is illustrated in Table 1, which shows that since 1980 Scotland has averaged a 9.8% share of UK manufactured exports with an average share of UK manufacturing employees of only 8.1%. To express Scotland's apparent superiority in manufactured exports another way, the Scottish Council's latest estimates, for the year 1985, suggest that exports per employee in manufacturing in Scotland were worth £13,290, compared with a figure of £10,525 per manufacturing employee elsewhere in the UK. The purpose of this article is to consider how much satisfaction can be gained from these figures and, more especially, to identify areas of strength and weakness in Scottish manufacturing industry in terms of export performance.

But first, a few words of explanation. The Scottish Council's estimates of manufactured exports are derived from a now-annual survey of all known exporting companies in Scotland. In recent years this has meant surveying 1600-1800 companies annually. 500-600 responses are received each year but, because respondents tend to be larger than the average company size, the survey coverage, in terms of employees, has been 50-55%. To conform with most other UK economic statistics the definition of manufacturing used is that of the 1980 Standard Industrial Classification, rather than the more widely used Standard International Trade Classification (SITC). The Council's estimates are computed at SIC Class level, mainly by grossing up the survey data for each Class according to the proportion of employment that has been covered by the returns.(1) The UK export figures referred to in this article are taken from the Business Monitor MQ10 series, published by the Business Statistics Office and, again, they conform to the 1980 SIC, rather than to the SITC.

The recently published results from the 1984 Census of Employment provide the means by which Scotland's export performance can be examined at a disaggregated level ie Class by Class.(2) Table 2 shows the actual and expected Scottish shares of UK exports in 1984 for 21 different industry Classes. The actual Scottish share in each case is simply Scottish exports expressed as a percentage of UK exports. The expected Scottish share for each Class is the number of Scottish employees in employment in the Class expressed as a percentage of UK employees in employment in the Class. By comparing actual and expected shares, it is possible to pinpoint those industries in Scotland which have a particularly strong export performance and those which have performed notably poorly.

Even a brief examination of Table 2 makes it obvious just how important are the contributions of the Office machinery and data-processing equipment (ie mainly computers) and Food, drink and tobacco (ie mainly whisky) industries, both in absolute terms and in terms of Scottish shares of UK exports. The Office machinery and data-processing equipment industry not only accounted for the greatest gross value of exports of any industry in Scotland, but it was also the industry where the actual Scottish share

of UK exports exceeded the expected share by the greatest margin. In this particular industry the actual share in 1984 was 3.6 times the expected share. The Scotch Whisky industry may have suffered decline in recent years, but it is evident that the industry still makes an important contribution to Scottish and UK exports. Helped by whisky exports of £994m in 1984, the Food, drink and tobacco industry in Scotland captured just over 30% of UK exports for the industry and the actual Scottish share of UK exports was 2.5 times the expected share.

The other industries in Scotland where the actual share of UK exports greatly exceeded the expected share in 1984 were Processing of rubber and plastics (where actual exports were 2.3 times expected exports) and Leather and leather goods (actual = 1.4 times expected). Another group of industries, including Chemicals, Electrical and electronic engineering, Other transport equipment (mainly ships and aeorspace), Textiles and Paper, paper products, printing and publishing, more or less achieved their pro-rata shares. However, for a number of major industries in Scotland the actual share fell significantly below the expected share, the most important of these being Metal manufacturing (actual = 50% of expected), Mechanical engineering (Actual = 70% of expected) and Clothing (Actual = 42% of expected). What this latter group of industries has in common is that its members still employ many workers, but once employed a great many more. In other words, the industries in the group could, in many respects, be said to be representative of decline in traditional industry in Scotland.

This analysis gives rise to several points. First, the method of analysis is simple, verging on the simplistic, resting as it does on a straightforward comparison of export and employment shares. It is, however, difficult to conceive of another ready way of identifying which Scottish export industries are strong or weak in UK terms. The second point to note is that the export values used are gross values. They do not, therefore, necessarily provide clear indications of how important the exports from different industries are in absolute terms. Information on the value-added content of exports would be better for this particular purpose, but to ask for value-added data in a non-statutory survey would strain the patience of even the most compliant and understanding respondent. Nor can the information be gleaned directly from official sources, although one recent estimate, based on the findings of the 1983 Census of production, suggests that Whisky exports from Scotland are still more important in value added terms than computer exports.(3) A third cautionary point is that, simply because there are relatively few exporters in each industry Class in Scotland, Scottish exports at Class level tend to be more erratic than UK exports. This fact may cause the degree of apparent strength or weaknesses in Scottish export industries to vary from year to year, although tests on the data for other years do not undermine the principal findings of the analysis presented here.

The fourth and most important point, is that Scotland's superior aggregate export performance depends very heavily on the exceptionally good performances of just two out of 21 industries examined; namely, office machinery and data-processing equipment, and Food, drink and tobacco. If the exports of either of these two industries were to be excluded from the calculations, Scotland's manufactured exports per employee would be very much in line with exports per employee in the United Kingdom as a whole. If both were excluded, Scotland would lag behind the United Kingdom by a considerable amount. In fact, without these two industries manufactured exports per employee in Scotland were worth £8,100 in 1984. The comparable figure for the rest of the UK is £9,600. To argue thus is, of course, to deny the facts of the situation, but its does at least emphasise the fact that Scotland's superior export performance is narrowly based and, possibly, dangerously so.

This finding helps to answer, in part, the question of whether satisfaction can be derived from the findings of the Scottish Council's export surveys. There is obviously no room for complacency when the structure of Scottish exports is so unbalanced; and there is a clear case for considering what might be done to revive the fortunes of some of the traditional

industries in Scotland. The rest of the answer can be found by examining Scotland's aggregate export performance over the longer term and comparing it with the United Kingdom's performance in world markets. Scottish Council export survey results dating back to the early 1960s suggest that Scottish manufactured exports may have grown fractionally faster during the last 20-30 years than UK manufactured exports. To be more precise and more contemporary, the Council believes that between 1980 and 1985 Scottish manufactured exports grew in real terms by 11.6%, whereas UK exports grew by 7.6%. However, given the knowledge that the UK's share of world trade in manufacture has declined so much over the years, Scotland's overall export performance can best be described as marginally better than poor.

Table 1 Scotland's export performance 1980-1985

	1980	1981	1982	1983	1984	1985
Scottish manufactured exports (£m current prices)	3,704	3,947	3,885	4,254	5,247	5,728*
UK manufactured exports (£m current prices)	38,675	38,973	41,606	44,587	51,579	57,619
Scottish share of UK manufactured exports (%)	9.6	10.1	9.3	9.5	10.2	9.9
Scottish share of UK manufacturing employment (%)	8.1	8.2	8.1	8.0	8.0	8.0

*provisional

Source: Scottish exports - The Scottish Council Development & Industry UK Exports - Business Statistics Office.

Employment share - derived from Department of Employment data.

FOOTNOTES

(1) A full description and discussion of the Scottish Council's methodology can be found in: "Survey of Scottish Exports in 1984", The Scottish Council Development & Industry".

(2) In inter-censal years it is possible only to obtain employment estimates for broad groupings within manufacturing industry in Scotland.

(3) See the letter on p51 of the March 1987 edition of the **Scottish Business Insider.**

Table 2 Scotland's export performance in 1984, by SIC Class

SIC Class	Industry	Scottish exports, £m	UK exports, £m	Actual Scottish share of UK exports, %	Expected Scottish share of UK exports %
21	Extraction & preparation of metaliferous ores	0.1	36	0.3	0.0
22	Metal manufacturing	160.0	3,766	4.2	8.4
23	Extraction of minerals nes	0.7	1,356	0.1	9.3
24	Manufacture of non-metallic mineral products	47.3	985	4.8	5.7
25	Chemicals	540.4	8,233	6.6	5.9
26	Man-made fibres	0.0	419	0.0	0.0
31	Metal goods nes	57.3	1,093	5.2	4.5
32	Mechanical engineering	473.2	7,389	6.4	9.1
33	Office machinery & data-processing equipment	1,297.5	2,787	46.6	12.8
34	Electrical & electronic engineering	409.7	5,930	6.9	7.4
35	Motor vehicles & parts	74.2	3,556	2.1	2.5
36	Other transport equipment	468.1	3,811	12.3	11.3
37	Instrument engineering	52.7	1,112	4.7	6.2
41/42	Food, drinks & tobacco	1,113.8	3,694	30.2	12.0
43	Textiles	230.9	1,620	14.3	13.4
44	Leather & leather goods	16.9	232	7.2	5.3
45	Footwear & clothing	33.9	1,041	3.3	7.8
46	Timnber & wooden furniture	31.1	356	8.7	7.6
47	Paper & paper products print & publishing	86.1	1,466	5.9	7.0
48	Processing of rubber & plastics	134.8	1,380	9.8	4.3
49	Other manufacturing	18.5	1,220	1.5	4.4